

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3198-01
BILL NO. HB 1562
SUBJECT: Entertainment; Sports and Amusement
TYPE: Original
DATE: February 16, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$423,964)	(\$373,479)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$423,964)	(\$373,479)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume, according to the industry, the proposed legislation would result in potential licensure of approximately 400 potential licensees at this time. We believe there are at least 200 others that we may "have problems" getting registered and most likely many more. This is a minimum of 60,000 legal type machines that will have to be checked for indicia and location at least monthly to start and then probably quarterly. There are many other illegal type machines at many locations throughout the State of Missouri and approximately half our staff to start will be involved in policing these type operations.

To accomplish inspections of all amusement machines in the state of Missouri and insure that proper indicia is attached and the machine are properly classified and located will require 57 inspectors/agents, one for every 2 counties, and 1 Tax processing technician and 1 clerk I in Jefferson City to provide administrative support and coordinate this very large field effort, resulting in annual costs of approximately \$2 million. Every County Fair at which vending machines are used will also need to be checked.

Personnel will be located as follows:

K C field office	2 supvs	10 inspector agents
StL. Field office	2 supvs	10 inspector agents
Spfld Field office	2 Supvs	6 inspector agents
Joplin Field office		3 inspector agents
Jeff Cy Field office	1 Supv	4 inspector agents
		1 Tax Processing Tech
		1 Clerk I
Columbia Field office	1 Supv	4 inspector agents
Hannibal Field office		2 inspector agents
Cape Girardeau Field office	1 Supv	4 inspector agents
St Joe Field office	1 Supv	4 inspector agents
Totals	10 Supvs	47 inspector agents, 1 clk I, 1 Tax Processing Technician

FISCAL IMPACT:

Fees for amusement devices are: an operator with more than 6 machines must pay \$1000 annually. Less than 6 - \$500 annually, and carnival operators \$100 per month of operation. We estimate that at least the 400 legitimate operators will pay the \$1000 for a

ASSUMPTION (continued)

total of \$400,000 annually and the Carnival operators will pay \$100 each at around 114 county fairs for a total of \$11,400. The minimum fiscal impact should be at least \$411,400 annually from these individuals and we estimate that we may be able to collect the \$1,000 fee from approximately 100 other operators for a total of an additional \$100,000. Total annual estimated fiscal impact would be \$511,400.00

Due to the potential number of licensees involved, **Oversight** assumes the duties outlined in this proposal could be accomplished with 20 Taxpayer Services Representatives II and one Clerk I. Costs have been adjusted accordingly in the fiscal impact specifications below.

Officials from the **Office of the Secretary of State (SOS)** assume the proposed legislation would require the printing of additional pages in the *Missouri Register* and the *Code of State Regulations* and have estimated a publishing cost of \$2,530.50 for FY 01. Additionally, future costs are unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

While this bill alone would not require SOS to acquire additional staff, the SOS assumes the cumulative effect of other bills that require rulemaking may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Office of Administration - Administrative Hearing Commission (AHC)** assume the proposed legislation would have no fiscal impact on its agency.

Officials from the **Office of the Attorney General (AGO)** did not respond to our fiscal impact request.

FISCAL IMPACT - State Government FY 2001 FY 2002 FY 2003

GENERAL REVENUE FUND

Income - Department of Revenue (DOR)

Licensing/Renewal Fees	\$0	\$511,400	\$511,400
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Costs-DOR

Personal Service (21 FTE)	\$0	(\$591,950)	(\$606,748)
Fringe Benefits	0	(182,025)	(186,575)
Expense and Equipment	0	(161,389)	91,556
Total <u>Costs</u> - DOR	\$0	(\$935,364)	(\$884,879)

**ESTIMATED NET EFFECT TO
GENERAL REVENUE FUND**

<u>\$0</u>	<u>(\$423,964)</u>	<u>(\$373,479)</u>
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FISCAL IMPACT - Local Government FY 2001 FY 2002 FY 2003

	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

It is expected that small businesses would have a direct fiscal impact as a result of this proposal.

DESCRIPTION

This bill requires amusement machine operators to obtain licenses from the Director of the Department of Revenue. The license will be renewed annually on or before July 1 of each year. The fee for a license to operate fewer than 6 machines is \$500. The fee for a license to operate 6 or more machines is \$1,000. A license to operate any number of amusement machines only at carnivals, local or county fairs, or the state fair costs \$100 for each month of the year the machines are operated.

The bill outlines qualifications for an amusement machine operator license, including age of at least 21 years; Missouri residency for at least one year prior to application, with some exceptions; and proof of payment of Missouri sales tax in previous business dealings in this state.

DESCRIPTION (continued)

A person operating amusement machines without a license incurs a \$100 fine for each amusement machine in his or her possession, and the Director of the Department of Revenue is authorized to seize any amusement machine in that person's possession. The director will annually categorize each amusement machine into one of 3 categories:

- (1) Category 1 is an amusement machine from which a player receives no right of replay and may or may not receive a score;
- (2) Category 2 is an amusement machine from which a successful player receives a score or an award of replays and from which a successful player may receive other awards; or
- (3) Category 3 is an amusement machine from which a successful player receives a score or an award of replay or other awards, but because of the machine's adult nature, including strong four-letter expletives, graphic sexual behavior depictions, or violent acts involving human-like characters involved in combative activity where the death of a character results, will be placed only in a location where it is available to customers who are at least 18 years old or who are accompanied by a parent or legal guardian if under 18 years old, or where the machine is unavailable to those under 18 years old.

The bill limits one premise to the greater of 4 category 3 machines or 25% of category 3 machines compared to the total number of working category 1, 2, and 3 machines at the premise.

The director will require all licensed amusement machine operators to buy an annual operator identification tag. The bill requires each operator to post conspicuously a poster identifying the different types of content in the amusement machines, except for those premises or specifically designated areas where only those 18 years old or older may enter. A content message sticker or stamp will also be placed on each machine.

The bill authorizes the director to make necessary rules, define the term "violation" for purposes of the bill's provisions, issue warnings and probations, assess penalties of up to \$100 per violation, suspend or revoke the license of an operator who violates the bill's provisions, prescribe forms, applications, and licenses, and examine premises, books, and records of applicants for a license or licensees, including state sales tax records.

An appeal to the Administrative Hearing Commission is authorized for any aggrieved party, and any order issued by the director will contain a notice of the right to appeal.

The bill also creates within the Department of Revenue the Amusement Machine Advisory
DESCRIPTION (continued)

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Board consisting of 7 members appointed by the director to advise him or her on technical problems, new industry ideas and machines, and the effects of proposed rules. The members will be from retail establishments where machines are located, with 5 members being from the Missouri amusement machine industry. The board will meet at least once a year, as deemed necessary by the director. All costs associated with the meetings will be borne by the board members. The director is authorized to remove for cause.

The bill has an effective date of July 1, 2001.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

This proposal would affect Total State Revenues.

SOURCES OF INFORMATION

Department of Revenue
Office of the Secretary of State
Office of Administration - Administrative Hearing Commission

NOT RESPONDING: Office of the Attorney General

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
February 16, 2000